

MADISON'S LUMBER REPORTER

Publisher
KetaDesign Productions

Editor
Kéta Kosman

Market Analyst
Earl Heath

Annual Subscription Prices
E-mail/Fax: C\$389
Discounts available for multiple
subscriptions
Published 50 times a year

www.madisonsreport.com
madrep@shawcable.com
604 984-6838
PO Box 2486 Vancouver, BC
V6B 3W7 Canada

In Canada, add GST or HST
ISSN 0715-5468
Printed in Canada © 2014

All material contained within is the property
of KetaDesign Productions Inc. Reproduction
or retransmission is expressly forbidden.



News & Updates

Canada Sawmill Manufacturing : August 2014

Lumber production by sawmills in Canada decreased 5.4 per cent from July to 4,693.5 thousand cubic metres in August, said Statistics Canada Thursday. Compared with August 2013, lumber production increased 0.7 per cent.

Sawmills shipped 4,871.9 thousand cubic metres of lumber in August, a decrease of 6.3 per cent from July.

In January-August 2014 Canadian sawmills produced 39,792.0 thousand cubic metres of lumber.

Canadian lumber exports in August totalled 3,432.7 thousand cubic metres, year-to-date 26,918.7 thousand cubic metres.

Building Permits, Canada

Municipalities issued building permits worth \$7.5 billion in September, up 12.7 per cent from August, following a 27.3 per cent decrease the previous month, according to Statistics Canada Thursday. The increase in September resulted primarily from higher construction intentions for both non-residential and residential buildings in Ontario.

The value of non-residential building permits rose 23.9 per cent to \$3.1 billion in September, the fifth increase in six months. Higher non-residential construction intentions were registered in six provinces, led by Ontario, followed by Quebec and Nova Scotia.

CONT'D PAGE 7

Canada Merchandise Trade : September 2014

Canada's merchandise imports declined 1.5 per cent in September, while exports rose 1.1 per cent, said Statistics Canada Tuesday. As a result, Canada's trade balance with the world went from a deficit of \$463 million in August to a surplus of \$710 million in September.

Imports declined to \$44.1 billion, as volumes decreased 1 per cent and prices were down 0.6 per cent. The main contributors to the decline in imports were energy products as well as metal and non-metallic mineral products.

CONT'D PAGE 7

Interfor Reports

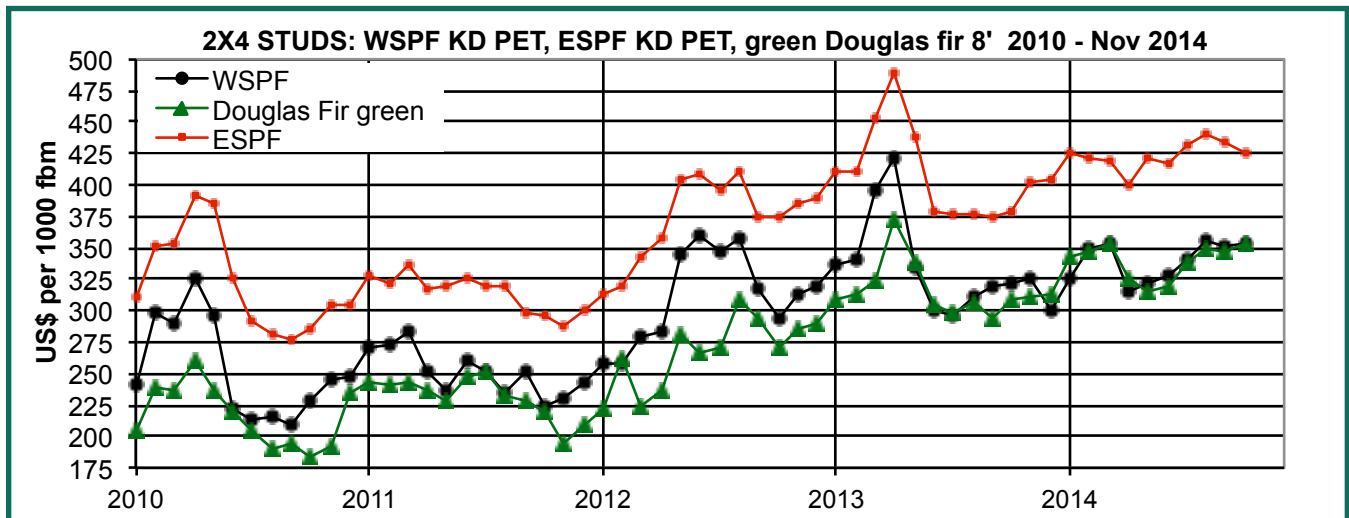
Interfor Corp, out of Vancouver, BC, reported net earnings of \$11 million, or \$0.16 per share, for 3Q 2014, the company announced Thursday. These figures compare with net earnings of \$7.4 million in the previous quarter, and a loss of \$130,000 in 3Q 2013. Sales revenue amounted to \$373 million in 3Q compared with \$390 million in 2Q and \$273 million in 3Q last year.

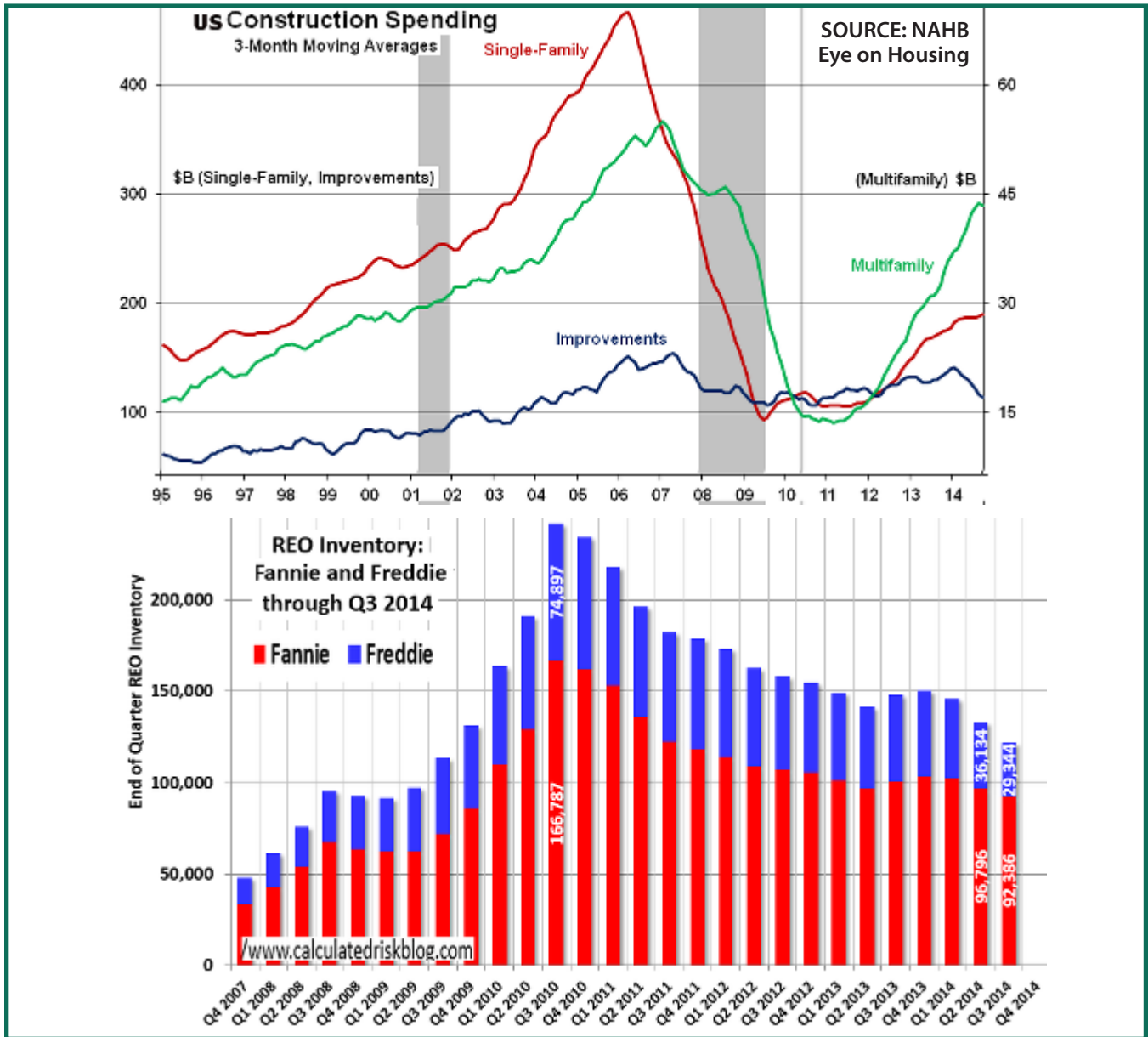
CONT'D PAGE 7

Ontario Timber Allocation Furor

An apparent halt to the expected re-opening of Resolute Forest Products's idled sawmill in Fort Frances, ON, had local and provincial politician pointing fingers this week.

CONT'D PAGE 9





Choose our Easy Pay Option: Four Quarterly Payments of just C\$210

Yes, I want to be regularly informed on the North American solid wood, pulp and paper industry.

Please sign me up for:

_____ **Madison's FOREST PULSE** C\$840/yr (15% discount: until Nov 1, 2014 only!)

or _____ **Easy Pay Option** C\$210/quarter

GST applies to Canadian subscribers

Company Name: _____

Attention: _____

Address: _____

Phone: _____ Email: _____

Please charge my VISA/MC: Card No. _____ Exp. ____ / ____

Please bill me: (signature) _____

Madison's Lumber Reporter, PO Box 2486, Vancouver, BC, V6B 3W7 or fax 1-604-608-5438

Madison's Weekly Lumber Key Prices Table

www.madisonsreport.com



	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
Prices are in U.S. dollars per 1,000 fbm (net FOB mill)							
WSPF KD R/L 2x4	340	345	-5	352	-12	382	-42
WSPF KD R/L 2x6	350	362	-12	366	-16	360	-10
WSPF KD R/L 2x8	350	358	-8	366	-16	358	-8
WSPF KD R/L 2x10	375	370	+5	374	+1	354	+21
WSPF KD PET 2x4 Stud	355	350	+5	355	0	320	+35
WSPF KD PET 2x6 Stud	380	380	0	390	-10	305	+75
Douglas Fir Green R/L 2x4	308	315	-7	325	-17	340	-32
Douglas Fir Green R/L 2x10	415	413	+2	415	0	525	-110
ESPF KD 2x4 8ft Stud	420	420	0	435	-15	380	+40
OSB Ontario 7/16" (CDN\$)	230	225	+5	218	+12	223	+7
CSplywood Toronto 3/8" (CDN\$)	462	462	0	453	+9	378	+84

Madison's Weekly Lumber News

Canada Building Permits

CONT'D FROM PG 2 In the residential sector, the value of permits rose 6.1 per cent to \$4.4 billion in September, according to Statistics Canada. Gains were posted in seven provinces, led by Ontario and followed by Quebec and British Columbia.

In the commercial component, the value of permits increased 8.7 per cent to \$1.7 billion in September, following a 12.8 per cent decrease in August. The advance came from higher construction intentions in a variety of commercial buildings, including office buildings, warehouses, service stations as well as hotels and restaurants. Gains in Ontario, Nova Scotia and British Columbia more than offset decreases in the remaining seven provinces.

Construction intentions for multi-family dwellings rose 10.8 per cent to \$2 billion, after a 28 per cent decrease the previous month. In Ontario, higher construction intentions for row house, apartment and apartment-condominium projects were responsible for the gain. In Quebec and British Columbia, the growth in the value of permits for multi-family dwellings came mostly from apartment projects.

The value of building permits for single-family dwellings increased 2.5 per cent to \$2.4 billion in September. This followed a 2.3 per cent decline the previous month.

Canadian municipalities approved the construction of 18,199 new dwellings in September, up 9.4 per cent from August. This increase was mostly attributable to multi-family dwellings, which rose 12.9 per cent to 11,814 units. The number of single-family dwellings increased 3.4 per cent to 6,385 units.

International Trade, Canada

CONT'D FROM PG 2 Exports rose to \$44.8 billion, as volumes were up 1.6 per cent while prices edged down 0.4 per cent, said Statistics Canada. Increases were reported in 8 of 11 sections, led by motor vehicles and parts, consumer goods as well as metal and non-metallic mineral products.

Exports of motor vehicles and parts increased 6 per cent to \$6.4 billion in September. The main contributor was passenger cars and light trucks, up 8.6 per cent.

Exports of consumer goods rose 6.6 per cent to \$5.2 billion, as volumes were up 5.5 per cent. Leading the section's gains in exports was pharmaceutical and medicinal products, up 14.1 per cent, which was up for a second consecutive month. Also contributing to the increase were miscellaneous goods and supplies, up 10.2 per cent, meat products, up 8.4 per cent and other food products, up 3.8 per cent.

Exports of metal and non-metallic mineral products advanced 6.2 per cent to \$5.2 billion, the highest value since the record high \$5.6 billion in December 2011. For the section as a whole, volumes were up 10.6% while prices were down.

Interfor Results: 3Q 2014

CONT'D FROM PG 2 Interfor's lumber production in 3Q was 567 million board feet, down 15 million board feet, or 3 per cent, compared with 2Q. Adjusting for the production of the Beaver-Forks, WA, operation which was closed permanently at the end of 2Q, production was up 7 million board

feet compared with 2Q and up 143 million board feet relative to 3Q 2013.

Net earnings in 3Q include \$0.7 million of expenses associated with the wind-down of the Beaver-Forks operation.

Long-term incentive compensation expense of \$3.6 million was recorded in 3Q compared with a recovery of \$0.4 million in 2Q.

Wood Innovation Centre Opens

The Wood Innovation and Design Centre at the University of Northern British Columbia in Prince George, BC, one of the tallest contemporary wood buildings in North America, officially opened last Friday. Construction of the 29.5-metre, six-storey high Centre began in 2013, said a Ministry of Jobs, Tourism and Skills Training press release.

The Centre will be a catalyst for future tall wood construction not just in BC but across Canada, North America and around the globe. The building uses a variety of wood products from all parts of British Columbia, including Douglas-fir, cedar, hemlock, pine and spruce, as well as engineered wood products produced in BC.

Calendar

November 2014

Wood Pellet Association AGM
November 17 - 19 - Vancouver, BC
<http://www.pellet.org/wpac-agm-agenda>

NAWLA Traders Market 2014
November 12 - 14 - Chicago, IL
<http://www.nawla.org/events/2014-traders-market/>

Ontario Timber Allocations

Premier Grilled This Week

The Town of Fort Frances, ON, became alarmed at the end of October that talks between Resolute Forest Products, Expera Specialty Solutions of Wisconsin, and the Province of Ontario regarding the acquisition of the local kraft mill, had broken off. The town said Expera has indicated a strong interest in acquiring the facility from Resolute, which would have resulted in 200 jobs at the facility and another 800 related to its operations, said the Fort Frances Times.

The town also believed the acquisition could go beyond a re-start of kraft mill operations and potentially involve remaining assets, including the paper machines. The town had learned over the past two years, through extensive research and consultation, that the Fort Frances mill should be operational in a very productive wood basket known as the best forest in Ontario.

At a press conference in the media room in Queen's Park Wednesday, Fort Frances Mayor Roy Avis, along with Chiefs Sara Mainville and Patricia Big George, all made the case in front of the cameras to transfer the operation of the Crossroute Forest away from Resolute and begin the process of creating a community-based Enhanced Sustainable Forest operated by the communities, harvesters, and users of the wood fibre, according to Fort Frances Times.

Ontario NDP leader Andrea Horwath pressed Premier Kathleen Wynne and Natural Resources and Forestry minister Bill Mauro during Question Period in the provincial Legislature Tuesday morning to transform the management model for the Crossroute Forest to a modern structure that would see all communities and stakeholders participate in forest management timber allocation decisions.

According to CBC October 21, town officials in Fort Frances said negotiations between a US company and Resolute Forest Products for the sale

of Resolute's idled Fort Frances kraft mill had broken off.

The town said it has been advised, on numerous occasions, that there is a specified allocation of wood for the mill in Fort Frances that still exists.

With that being the case, the town is asking why a willing buyer can't purchase the facility and acquire wood at a reasonable cost?

The answer is that a single entity, Quebec-based Resolute Forest Products, controls the cost of the wood in this area.

Over the past year, the district municipalities and First Nation communities have lobbied the province for a model that would see all communities and stakeholders participate in the decisions related to forest management.

The town said it was advised in August by Forests Minister Bill Mauro that the government would not be implementing this enhanced sustainable forest license model for the Crossroute Forest.

Mauro indicated this model needed to evolve over time.

This was the same message the town said it received from Resolute regarding the implementation of this model.

In a news release, the town said Expera, a specialty paper business, had indicated "a strong interest" in buying the mill, which would restore hundreds of jobs. The statement blamed the failure of negotiations on the fact that Expera Specialty Solutions needs to be able to acquire fibre at a reasonable cost.

The release said that for the past year, Fort Frances district municipalities and First Nations have lobbied the Ontario government for a model that would see all stakeholders participate in forest management decisions.

The opposition parties called on the Ontario government Wednesday to change the rules on control of Crown forests to help save a pulp mill in Fort Frances, and up to one thousand jobs.

The Progressive Conservatives and NDP said Resolute Forest Products is blocking the sale of the shuttered mill to Expera because it still controls the timber surrounding the town near the Manitoba border.

The Town of Fort Frances statement said it understands ministerial orders can be enacted to re-allocate fibre.

Mauro told CBC News he's disappointed the talks failed. He said the province offered to secure the wood supply but that was just one of the sticking points.

"The security of the fibre would not have been in question for them, but of course the price point was still something they would have had to negotiate on a business-to-business level," he said.

A spokesperson for Expera said in an e-mail to CBC News that the company does not comment on any potential business transaction it is participating in.

During Question Period at Queen's Park, Sarah Campbell, NDP MPP for Kenora-Rainy River, sought answers from Bill Mauro the Minister of Natural Resources and Forestry, said Net-Newsledger Wednesday.

Campbell asked, "Fort Frances was devastated when their local mill idled in 2012. Now there is renewed hope, given that a company is looking to purchase the mill. Getting the mill up and running could mean 200 direct and 1,000 spinoff jobs, as well as a \$100-million annual injection into the economy.

Resolute vice-president of communications Seth Kursman told CBC in an e-mail that the company "has made a significant effort to reposition the mill, exploring opportunities with multiple parties for a possible successor owner."

Kursman added that Resolute has also spent over \$10 million keeping the mill heated for two winters in order to protect the assets. His e-mail concluded "We will continue to consider options."

In a media statement the NDP said, "Despite Expera expressing it is no longer pursuing the purchase of the mill because of provincial roadblocks, the Premier did not answer Campbell's questions, instead passing them to the Minister of Natural Resources who in turn refused to take responsibility for failing to provide the Enhanced Sustainable Forestry License".